

Spring Budget 2017

GUTO BEBB, WHIP & MINISTER AT WALES OFFICE

ANNE-MARIE TREVELYAN, TORY MP

IAIN DUNCAN SMITH, FORMER TORY LEADER

ANNE MARIE MORRIS, TORY MP

LORD TEBBIT, FORMER TORY CHAIRMAN

BOB BLACKMAN, TORY MP

DOMINIC RAAAB, FORMER MINISTER

STEPHEN MCPARTLAND, TORY MP

'I will apologise to every voter in Wales that read the Tory manifesto in the 2015 election'



'We need to halt this particular decision now. I think we need to put this on hold so we can have a proper review and think in a holistic way'

'I would like to see this kept under review ... I would like to see the ball kept in play'



'The changes to National Insurance defy belief! What did the Chancellor think he was doing? It has all the hallmarks of the "pasty tax" own goal'

'It's a bit of a dog's dinner. I think we need to encourage people to be self-employed'



'I worry that the accusation can be made that it is a bit like signing the contract but failing to look at the small print that exists'

'I looked at the changes on National Insurance and, I will be honest, I struggle with that'



'It is taxing those families who have taken on the risk of setting up their own small business, many of which are the backbone of our economy'

Growing Tory outrage may force Spreadsheet Phil to redo his sums

Backbench revolt

After enduring an 'awful day', the Chancellor is looking for ways to quell the backbench protests

By Gordon Rayner POLITICAL EDITOR

PHILIP HAMMOND began the day in obstinate form. His already-hated National Insurance hike for the self-employed was "fair", he said, and there would be no climbdown over the most controversial announcement of his first Budget.

Running the gauntlet of the day's breakfast programmes, he was asked over and over again if he had broken a manifesto pledge not to raise NI, and over and over again he refused to admit that he had.

Gone was the smiling, wise-cracking Chancellor who had so enjoyed himself at the dispatch box the previous day. Having woken up to front-page headlines such as "Spite Van Man" and "Rob The Builder", Spreadsheet Phil was back, doing his best to buy time by blaming everything on Brexit.

"The decision to leave the European Union has changed the game", he said. "I am very clear that what we've done in the Budget is the right thing for the country."

By lunchtime, however, the political landscape looked very different. A Tory mutiny was in full swing, with 12 rebels using the Whatsapp messaging service to demand a defeat of the Chancellor's plans. The Whatsapp group, called NI Policy Concern, was created at 9am.

Another 100 Tories were rumoured to be ready to abstain when the National Insurance changes are put to a vote, meaning his plans were effectively stillborn.

With a working majority of just 17, the Government was faced with a humiliating defeat if it tried to get the NI changes through Parliament.

The leader of the rebellion was the normally unassuming MP for Berwick-upon-Tweed, Anne-Marie Trevelyan.

Like many of her co-conspirators, Mrs Trevelyan, a former accountant, has only been an MP since 2015. Rookie MPs can usually be relied on to toe the party line, reined in by ambition and fear, but the fact that they were ready to risk being frozen out by Theresa May was a measure of the anger coursing through the Tory ranks.

Mrs May was on her way to Brussels for the latest EU summit, while Mr Hammond was in his ministerial car being driven back up the M40 for a fundraising event being held by Andy Street, the former John Lewis managing director who is now the Conservative candidate for mayor of the West Midlands.

"I will apologise to every voter in Wales that read the Conservative manifesto in the 2015 election."

A source close to Mr Hammond said he was having "an awful day".

By late afternoon 18 Tories had openly criticised him, with one telling *The Daily Telegraph* the figure was "the tip of the iceberg", adding "this will mushroom".

Mr Hammond and his team started to discuss their options.

One well-placed source disclosed that the Chancellor had discussed scrapping National Insurance altogether for self-employed people and replacing it with an entirely new scheme.

Another option is a complete overhaul of National Insurance, contributions for the self-employed. Both options would give Mr Hammond the chance to avoid putting his existing plans to a vote in Parliament.

Mr Duncan Smith suggested a third alternative – raising the threshold for higher rate NI for self-employed people so that fewer workers will pay it.

Officially, the Treasury said Mr Hammond had barely been able to discuss the crisis with his team.

The National Insurance changes, which have to be subject to a separate Act of Parliament, may not be introduced into the Commons until September, and do not have to be given royal assent until February. This gives Mr Hammond time to come up with an alternative before the autumn, when he will deliver his next Budget.

One MP said: "They will have to back down. People are just upset about it. They can take three or four months of pain or just kill it now."

"Backbench Tory MPs just do not want to vote for this – they do not want to vote for it."



Philip Hammond initially defended his National Insurance plan but Theresa May, pictured right at an EU summit, tried to avoid the waiting media in Brussels by using a back entrance

environment where we face some new challenges in this country."

His only concession to the dissenters was to say that: "I'm always prepared to listen to backbenchers, to talk to our backbenchers, but we have made a decision to make the national insurance system a little bit fairer."

By 11am, however, there were signs that the Government wanted to give itself an exit route.

At the daily lobby briefing for journalists in Parliament, the Prime Minister's spokesman was asked four times to rule out any possibility of changing the NI policy, and four times refused to do so.

A few hundred yards away in Horse Guards Parade, the Chancellor had arrived back in London, attending the

Brussels she went out of her way to avoid the waiting media."

Rather than walking down the red carpet like other EU leaders arriving at the European Council, Mrs May used another entrance, away from the cameras.

One Cabinet minister said Mr Hammond and his team felt let down by No 10 over the Budget, because Downing Street had demanded costly spending on issues including business rates and social care.

"There is real frustration in the Treasury about this."

"No 10 want the spending but they aren't prepared to stand up for the decisions that have to be taken to pay for it," the minister said.

Back in London, John McDonnell, the Labour shadow chancellor, told the BBC: "I'm hoping there will be a number of Conservative MPs and other parties in the House that say to the government 'you've got this wrong, you need to think again'."

For once, his wish was about to come true. Fresh Tory defectors were emerging on an hourly basis, including Anne Marie Morris, co-chairman of the all-party parliamentary group for micro businesses. Writing on *The Telegraph* website, she argued: "The changes to National Insurance defy belief! What did the Chancellor think he was doing? ... it has all the hallmarks of the 'pasty tax' own goal."

The worst was still to come. Guto Bebb, a Government whip and Wales minister in the Wales Office, called on the Chancellor to apologise for breaking the manifesto promise.

He told BBC Radio Cymru: "I believe we should apologise."

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Between Philip Hammond's appearance at the unveiling of the Afghanistan and Iraq memorial, left, and Boris Johnson, and a visit to Dudley to open a technical college, right, a steady stream of Conservative MPs emerged to denounce the Chancellor's plans to raise National Insurance for the self-employed

The chief rebel and her band of Whatsapp warriors leading charge against the Treasury

Profile

By Kate McCann SENIOR POLITICAL CORRESPONDENT

THE Conservative MP for Berwick-upon-Tweed made headlines recently when she warned that members of her constituency were so fed up with the seagulls that plague the seaside town, they had started "wandering the streets" armed with guns to kill them.

On Twitter she added that the policy goes against everything she stands for as a Tory. She wrote: "Worried about raising NI on self-employed. They are the risk-takers, starting next [generation of] business leaders, no [statutory] sick leave or holiday pay."

Her intervention is perhaps unsurprising when you consider her background as a chartered accountant.

Ms Trevelyan also sits on the House of Commons Public Accounts Committee, the main body of scrutiny for financial decisions in Parliament.

On her website she states she is "committed to ensuring taxpayers' money is spent well in ways which are

belief in "people power" to effect real change.

Speaking out against Philip Hammond's NI increase yesterday, she warned that the policy would not be well-received by Conservative voters.

Ms Trevelyan, among 12 Tory rebels using the Whatsapp messaging service to plot a defeat of the Chancellor's plans, told the BBC: "This is going in the wrong direction. We need to put this on hold so we can have a proper review and think in a holistic way."

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Anne-Marie Trevelyan says the rise in NI goes against everything she stands for



PAUL GILL/PAUL GILL

Never crack a joke about yourself that someone else can twist against you – the Chancellor has become his own punchline

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Eighties was that cutting tax could raise income by encouraging spending and investment. Take the 1988 Budget. Nigel Lawson cut the top rate from 60p to 40p and the basic rate from 27p to 25p. The result? Before Lord Lawson's Budget, the best-paid 1 per cent contributed only 14 per cent of all income tax. Once the top rate fell, it rose to 21 per cent. Tax less, get more.

When the Tories ran for re-election in 1992, now led by Sir John Major, they made tax a centrepiece of their campaign. Labour, they warned, would drop a tax bomb on Britain.

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it. It was easier to suggest that the Tories had flip-flopped. Labour, which was run by far saner people back then, entered the 1997 election seeking to outflank the Tories on taxes, accusing them of having raised them 22 times. Lord Lamont later described the 1993 Budget as his best. But he conceded that it was politically toxic, that it

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"helped to lose the 1997 election for the Conservatives". Kingsley Amis once said that one should never crack a joke about oneself that someone else can twist against you. That's exactly what Mr Hammond did. He made the comparison with Lord Lamont. He invited the public to compare his approach to tax with a beleaguered chancellor. And that National Insurance increase – contrived and poorly sold – has become the punchline to his Budget.



Lord Lamont with his 1993 Budget, which he admitted helped lose the next election

Five years after the Omnishambles, how did it happen again?

Hammond's gamble

By James Kirkup

ON THE face of it, the row over tax rises for the self-employed is baffling. How on earth did a true-blue Conservative like Mr Hammond, a self-made man who made a fortune working for himself, find himself accused of a tax raid on White Van Man, the self-employed backbone of Tory Britain?

The answer is familiar to students of modern Budget controversies. In fact, Hammond's ordeal over tax rises for the self-employed is following a pattern spectacularly laid out in 2012's "Omnishambles" Budget, when a minor change in the taxation of hot food became a symbol of a Conservative regime out of touch with modern Britain.

Like the Omnishambles, Mr Hammond's predicament is a story of how very clever people can do things that look politically stupid, largely because they can't understand that other people don't see the world as they do. A lot of those people work at the Treasury. If you're a clever civil servant, the Treasury is the only place to work. It towers over other Whitehall departments, taking a hand in their affairs and often deriding their staff.

The core function of the Treasury is to ensure the Government has the money it needs to do the things it wants to do, raising cash by tax or by borrowing. For some time, the Treasury has worried about the amount of tax it raises from workers, largely because of self-employment.

Technological and economic change have driven a boom in self-employment: almost five million people now work for themselves (it was 3.2 million in 2000), and are thus subject to tax rules that can mean they pay less tax than regular salaried employees. In the Treasury's view, shared by many independent economists, this is unfair.

Some people classed as self-employed are effectively one-person companies, channelling their earnings through their firms and thus paying less tax.

The Office for Budget Responsibility in November warned that this trend could cost the Treasury £3.5 billion a year by the end of the decade. So, the Treasury story goes, Mr Hammond had to make "tough choices". Unwilling to swallow the cost of Mr Osborne's tax cut and Mrs May's concessions by borrowing or cutting more, he had to find more money for social care and the NHS, and cash to defuse a political row over business rates. Treasury officials, already criticised at being shut out of Mrs May's Downing Street operation, muttered that the PM's failure to stand firm on such things undermined this year's Budget. So, the Treasury story goes, Mr Hammond had to make "tough choices". Unwilling to swallow the cost of Mr Osborne's tax cut and Mrs May's concessions by borrowing or cutting more, he had to find more money for social care and the NHS, and cash to defuse a political row over business rates. 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